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April 8, 2019

VIA ELECTRONIC FILING

The Honorable Jocelyn G. Boyd  
Chief Clerk / Administrator  
Public Service Commission of South Carolina  
101 Executive Center Drive, Suite 100  
Columbia, SC 29210

Re: Capacity Sales Agreement  
Docket Nos. ND-2014-18-E & 2011-158-E

Dear Ms. Boyd:

Please find attached a copy of a proposed capacity sales agreement (“Agreement”) between Duke Energy Carolinas, LLC (“DEC”) and Duke Energy Progress, LLC (“DEP”) (together, the “Companies”), which the Companies are filing for acceptance by the South Carolina Public Service Commission (“Commission”).

Because the Agreement is subject to the jurisdiction of the Federal Energy Regulatory Commission (“FERC”) as an agreement governing wholesale capacity sales, the Companies submit that this Commission is not required to act on the Agreement. However, the Agreement relates to the Companies’ Joint Dispatch Agreement and merger, and provides—at § 2.1—that it shall take effect only “after acceptance or approval . . . without material modification by the NCUC, the PSCSC, and the FERC.” The Companies therefore request that the Commission issue an order accepting the Agreement for filing. The Companies are awaiting Commission action before transacting under the Agreement.

The Commission approved a previous version of the Agreement filed in the above-referenced dockets. In Order No. 2014-519, issued on June 24, 2014, the Commission approved the Agreement, recognizing that “the potential savings to customers when the need [for capacity-sharing] arises will indeed make the framework worthwhile.” That version of the Agreement, however, was not accepted by FERC due to issues associated with the proposed wholesale capacity pricing.<sup>1</sup> A second version of the Agreement was filed with FERC and was also not accepted as it contained provisions that, in FERC’s view, were not appropriate for a wholesale

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<sup>1</sup> See *Duke Energy Carolinas, LLC*, 148 FERC ¶ 61,149 (2014).



capacity agreement.<sup>2</sup> After addressing these issues, the Companies again filed the Agreement with FERC, which accepted the Agreement and found that the Agreement is “a just and reasonable, and not unduly discriminatory or preferential, mechanism for the Parties to sell each other short-term capacity when one Party has more capacity than it needs and the other Party has determined that it would benefit from the acquisition of such capacity.”<sup>3</sup> The Agreement is attached hereto as Exhibit A, and the FERC order approving the Agreement is attached hereto as Exhibit B. The Agreement has also been filed for informational purposes with the North Carolina Utilities Commission; that filing is attached hereto as Exhibit C.

As explained in previous filings, the Agreement provides a framework for DEC or DEP to sell temporarily available excess capacity to the other when one of them is projected to have more capacity than is required to meet the applicable reliability standards and the other would benefit from an acquisition of capacity. Pursuant to the Agreement, either party may sell its temporarily available excess capacity to the other in any single transaction for a period of time of not less than four consecutive hours and not more than seven consecutive days. Compared to prior versions of the Agreement, the current Agreement adopts a wholesale capacity pricing mechanism that FERC found to be a transparent and objective pricing methodology that would serve to benefit customers.

The Agreement does not require either DEC or DEP to maintain or construct capacity to be available to the other party in any amount at any time. The Agreement does not provide for transmission service, for the execution of joint generation planning or for the transfer of any energy. Energy transactions between the Companies occur under the terms of the Joint Dispatch Agreement, which is not affected by this Agreement.

Securing the capacity as provided for in the attached Agreement is beneficial to the Companies’ customers because DEC and DEP can minimize purchases on the open market for capacity that is needed on a short-term, temporary basis. Such purchases of short-term capacity usually include the additional cost of bundled energy that may not actually be needed. The Companies will also be able to minimize commitment of additional generation, such as a coal unit. Commitment of such a unit would typically be for a minimum of forty-eight hours to address an operating reserve need that may exist for only one or two hours. Over time, the potential savings to customers make the effort of establishing this framework worthwhile.

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<sup>2</sup> See *Duke Energy Carolinas, LLC*, 161 FERC ¶ 61,029 (2017). That version of the Agreement was filed with this Commission in the above-referenced dockets on December 8, 2016, but the Commission took no action on that filing.

<sup>3</sup> *Duke Energy Carolinas, LLC*, 166 FERC ¶ 61,174 (2019).



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As explained above, the Companies respectfully request that the Commission issue an order accepting the Agreement for filing, and will await Commission action before transacting under the Agreement. Timely acceptance of the Agreement for filing will allow the Companies to begin to enter into the short-term capacity sales that will provide savings to customers, ideally in time for the summer peak season. Should you have any questions or concerns, please feel free to contact me.

Kind regards,

Sam Wellborn

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cc: Parties of Record (via email)  
Heather Shirley Smith, Deputy General Counsel (via email)  
Rebecca J. Dulin, Associate General Counsel (via email)